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UNCLAS SECTION 01 OF 07 PHNOM PENH 000095

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STATE PLEASE PASS TO USTR -- FOR BISBEE AND WEISEL, AND
USAID
BANGKOK FOR USAID -- KISSINGER, FCS -- BACHER
HANOI FOR FCS -- NAY
HO CHI MINH CITY FOR FCS -- MARCHAK AND LE
GENEVA FOR USTR -- PALLGEIER
COMMERCE FOR ITA/OTEXA -- D'ANDREA, ITA/MAC -- MIKALIS
LABOR FOR ILAB -- LI
USAID FOR ANE

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SUBJECT: U.S.-CAMBODIA BILATERAL DIALOGUE STRENGTHENS TIES,
BROADENS RELATIONSHIP

REF: A. PHNOM PENH 41 SCENESETTER FOR DAS MARCIEL VISIT

[1](#)B. 07 PHNOM PENH 1421 CAMBODIA: TIP INTERIM
ASSESSMENT REPORT

[1](#)C. 07 PHNOM PENH 422 ECCC AND OSJI

[1](#)1. (SBU) Summary: Deputy Assistant Secretary Scot Marciel led U.S. participation in a successful senior-level U.S.-Cambodia bilateral dialogue hosted by the Royal Government of Cambodia Ministry of Foreign Affairs January [1](#)17. Both sides opened with statements of enthusiasm for strengthening ties between the governments and citizens of our two countries, and for broadening the bilateral relationship to cover new areas of cooperation and collaboration, such as Cambodia's status as a candidate country with the Millennium Challenge Corporation (MCC). The Ambassador, Deputy Chief of Mission, USAID Mission Director and Defense Attache also represented the U.S. side of the dialogue. Acting Minister of Foreign Affairs Ouch Borith headed the Cambodian delegation made up of approximately 25 Secretaries of State and Office Directors from the Ministries

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of Foreign Affairs, Defense, Interior, Commerce, Economy and Finance, and from the National Election Committee, Human Rights Committee, National Petroleum Authority, and the Extraordinary Chambers in the Courts of Cambodia (ECCC). The topics discussed included Cambodia's prospects for meeting MCC threshold goals; the Khmer Rouge Tribunal; human rights issues, elections, trafficking in persons; mil-to-mil relations and counter-terrorism cooperation; ASEAN and Burma; and economic and trade issues, along with management of oil and gas revenues. End Summary.

A Positive Stage Set for Bilateral Dialogue

[1](#)2. (SBU) On January 17, Deputy Assistant Secretary Scot Marciel led U.S. participation in a successful senior-level U.S.-Cambodia bilateral dialogue. In a short pre-meeting in advance of the bilateral dialogue, Acting Minister of Foreign

Affairs Ouch Borith previewed major themes and his opening remarks. Ouch Borith conveyed the best wishes of Foreign Minister Hor Namhong, who was in Japan and therefore could not chair the bilat. He noted such visits by U.S. officials, and especially this first bilat, reflected the increasingly good relationship between the U.S. and Cambodia. He extended thanks from the people of Cambodia for the U.S.'s invaluable bilateral assistance and looked forward to further cooperation. Ouch Borith noted that approximately 25 Cambodian officials would participate in the bilat, which was a sign of how the Cambodian side sees this as an important opportunity for engagement. Ouch Borith referred to the government's strategic plans and emphasized the importance placed by the RGC on fighting corruption and reforming public administration. Ouch Borith noted that the organic law creating new bodies at the provincial and district levels has just been passed. Marciel also noted increased U.S.-Cambodian cooperation and shared interests. He noted that there was a sense of positive momentum in Cambodia which had an impact on how Cambodia is viewed, including by the business community.

Cambodia Shows Interest in the MCC

13. (SBU) Acting Minister of Foreign Affairs Ouch Borith stated that Cambodia is "very interested" in the MCC. He stated that MCC eligibility requirements are consistent with the RGC National Development Strategy, a plan outlining policies and strategies for development including growth, employment, equity, and efficiency that will lead to reductions in poverty, economic development, transfer of power from the central government to the grassroots level, improvements in health to reduce child and maternal mortality rates, and combat disease. Marciel stated that this year Cambodia met four out of 17 policy indicators needed to make

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Cambodia MCC-eligible. The Ambassador added that most of Cambodia's scores for the remaining unmet indicators are close to meeting MCC criteria and that, with focused effort, Cambodia has the potential to achieve MCC goals over the course of the next several years.

Integrity of KRT Shapes U.S., World View of Cambodia

14. (SBU) ECCC Director of Administration Sean Visoth detailed the many successes of the ECCC to date including the adoption of the Court's Internal Rules, and arrests, detention and ongoing prosecution of five Khmer Rouge leaders. He stated that the ECCC is small compared to other tribunals with 200 national staff and 100 international staff and that the Cambodian side of the budget is low -- around USD 20 million per year. However, the Cambodian side of the ECCC will run out of funds at the end of March 2008. Sean Visoth acknowledged there have been allegations of corruption through salary kickbacks that have damaged the public image of the ECCC (Ref C). He stated that no kind of corruption or extortion will be allowed at the ECCC and that he will take action against those who engage in corrupt activities at the Court. Marciel reiterated previous embassy statements that the U.S. has a significant interest in the conduct of the KRT and believes that the KRT is important for Cambodia. For the next several years, world views of Cambodia will be shaped by the KRT. Marciel stated that the ability of the U.S. to support the ECCC -- through U.S. congressional appropriation -- would depend on the independence of the Court and whether the Court can meet international standards of justice. Both Marciel and the Ambassador reiterated U.S. support for the UNSYG appointment of a special advisor to the ECCC. Sean Visoth responded that Deputy Prime Minister Sok An had received, via the MFA, a letter from the UN regarding the Special Advisor. Talks are taking place in New York and in Phnom Penh, the results of which the RGC will share with the U.S. The Ambassador suggested that, given the timing, it

might be helpful for the RGC to invite a senior official from the UN to Phnom Penh to facilitate direct communication. Sean Visoth replied that the RGC wanted such a visit to be fruitful.

Human Rights: Mob Violence Down But What About Labor Killings, Land, and Tim Sakhorn?

15. (SBU) Director General of the Cambodian Human Rights Committee Om Yin Tieng stated that there are four government human rights institutions including the human rights committees of the National Assembly, the Senate, and the RGC Human Rights Committee, of which he is director general, and an institution made up of 50 human rights NGOs that advise the government (Note: It is not clear if Om Yin Tieng was referring to the Cambodian Human Rights Action Committee, an NGO umbrella organization made up of 22 human rights NGOs, or to a planned national human rights committee that has not yet been established. End note.) Om Yin Tieng claimed RGC success in decreasing the incidence of mob killings and vigilante justice over the past two years: five cases in 2006 and four in 2007 (Note: NGOs reported to the embassy six cases in 2006 and five in 2007. End note.) Marciel stated that NGOs in Washington have raised concerns about unsolved killings of labor activists (Note: FTUWKC leader Hy Vuthy in February 2007, and FTUWKC leader Chea Vichea and FTU leader Ros Sovannareth in 2004. End note.), Cambodians being forced off their land, sometimes violently, and the recent deportation of Khmer Kampuchea Krom monk Tim Sakhorn. Om Yin Tieng stated that RGC investigations into the labor killings indicated that they were not political killings, and that he would provide to the embassy complete reports on the RGC investigations. On land disputes, he stated that of all eviction cases in which persons were not renters and were therefore "eligible for compensation", the RGC had provided

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"resolution or compensation" to the persons removed from land in the form of cash compensation or resettlement site relocation. He stated that if the embassy has specific questions on particular cases, he will provide detailed information on those cases. He also stated willingness to provide the results of a government investigation into the disappearance and deportation of Tim Sakhorn. Marciel encouraged the RGC to make progress on Cambodia's human rights issues, and the rule of law as it relates to human rights; such efforts would help the U.S. fully expand cooperation with Cambodia.

Peaceful, Well-Organized Elections

16. (SBU) Secretary General of the National Election Committee (NEC) Tep Nytha provided general statistics on the April 2007 commune council election, October 2007 voter registration, and the voter deletion lists (form 1025) in the runup to the 2008 national election. He also sought funds for the NEC budget (Ref A). On the voter deletion lists, Tep Nytha said the current NEC list included 580,000 names. He said the NEC seeks to strengthen cooperation with the RGC to ensure social order that will provide favorable conditions for all parties to participate in the election process; to gain participation by party agents, NGOs, and IOs to monitor the election process for transparency; to increase public education and awareness of the election process; to strengthen the capacity of election authorities; and to improve the technical capability of the NEC. Marciel congratulated Cambodia on its peaceful, well-organized commune council elections last April while expressing concern that legitimate voters are not disenfranchised through NEC's "clean up" process.

Strong RGC Commitment on TIP

17. (SBU) Speaking on behalf of Ministry of Interior Deputy Commissioner General Neth Savoeun, Director for International Relations of the Ministry of Interior (MOI) Police General Por Phak described recent RGC efforts demonstrating an increased commitment to combat TIP. He provided statistics on TIP arrests, and information about the structure of the National Task Force (Ref B). Por Phak made note of the recent National Assembly passage of a comprehensive TIP law, acknowledging the next challenge -- for which the RGC is already making preparations -- is dissemination of the law. The Ambassador stated that Cambodia has made commendable progress since it was on Tier 3 in 2005, and that the U.S. will continue to watch Cambodia's TIP progress closely. He applauded the fact that, unlike some other countries, Cambodia has never denied that it has a TIP problem. Ouch Borith reiterated the RGC's strong commitment to tackle TIP and thanked the U.S. for assistance to combat TIP through activities such as the USAID-funded C-TIP (Counter Trafficking in Persons) program.

RGC Welcomes U.S. Military Presence

18. (SBU) Marciel took the lead on the mil-to-mil topic, noting that he had been struck by the number of important military-linked visits. He named PACOM Admiral Keating, PACOM Admiral Willard, and Acting PM A/S Mull, as well as the very successful November visit by the USS Essex. He said the U.S. was pleased with the developing relationship, which was important. He mentioned Cambodia's contribution to demining in Sudan and its offer to volunteer elsewhere. He welcomed Cambodia's signing up to GPOI and DRMS. He extended an invitation for Cambodia to participate in CARAT as an observer. Ministry of Defense Secretary of State Neang Phat agreed that the relationship has improved in the last few years, and specifically noted military/humanitarian

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cooperation. He recalled the 2006 PACOM assessment as being the first step in the evolving relationship. He said the ship visits prove to the Cambodian people, as well as the RGC, that cooperation is strong. He also noted Cambodia's contribution to peacekeeping and the U.S.-Cambodia work on building up a counter-terrorism unit.

Cambodia Urges Greater U.S. Involvement in ASEAN

19. (SBU) MFA Secretary of State Kao Kim Hourn opened discussion on ASEAN by referring to Cambodia's eagerness for a U.S.-ASEAN summit, and stated that Cambodia looks forward to participation in the next U.S.-ASEAN dialogue to be held in Singapore in May. Kao Kim Hourn reiterated support for a U.S. Ambassador for ASEAN Affairs, noting Cambodia's own growing role in ASEAN, exemplified by the fact it would soon ratify the ASEAN Charter. He requested U.S. consideration to accession to the Treaty of Amity and Cooperation in Southeast Asia. He noted Cambodia supported ASEAN's request that the U.S. and other P-5 nations accede to the Southeast Asian Nuclear Weapons Free Zone (SEANWFZ) treaty, stating that China was positively considering accession. He praised U.S. participation in the Asean Regional Forum (ARF) -- the only security forum in the Asia region -- noting Cambodia's support for continued U.S. involvement. Marciel commended Cambodia's growing role in ASEAN. He noted U.S. pleasure with our enhanced partnership with ASEAN through the funding of its secretariat, training opportunities, and promotion of ASEAN economic integration. He reaffirmed the U.S. desire for a U.S.-ASEAN summit but explained that it is hard currently to imagine an acceptable formula.

Cambodia's Position on Burma

10. (SBU) Kao Kim Hourn confirmed that the topic of Burma dominated the recent ASEAN summit in Singapore and stated

that ASEAN leaders have reiterated that there is a need for Burma to continue working with the "good offices" of the UN to open a dialogue with Aung San Suu Kyi and for the regime to lift restrictions on ASSK; work for national reconciliation; and transition to democracy. The RGC believes the UN should play a humanitarian role in Burma. He repeated Cambodia's position that sanctions will only serve to hurt the people of Burma and that the Burmese government "has resources" enabling the regime not to be hurt by sanctions. Kao Kim Hourn stated that Cambodia supports the designation of only one UN special envoy to Burma, not the proposed appointment of a second East Asia summit special envoy. Finally, he stated that the RGC would be open to a visit to Cambodia by Senior General Than Shwe if the RGC "thinks it will help". Marciel expressed appreciation for Cambodia's efforts on the Burma situation. He also expressed disappointment that the Burmese government has failed to make positive developments over the past few months and that the regime continues to drive downward the economy, and health and education standards. Marciel reiterated U.S. support for UN Special Envoy Gambari's initiatives.

U.S.-Cambodia Ties Exemplified By Solid Trade Relationship

¶11. (SBU) Ministry of Commerce Director General Sok Sopeak highlighted growth in the bilateral trade relationship: the volume of U.S.-Cambodia trade has increased steadily over the past 15 years from USD 16 million in 1993 to USD 857 million in 2000 to USD 2.2 billion in 2006. (Comment: Due to differences in measurement techniques, these statistics may differ from U.S. figures, nonetheless, U.S. investment seems to be on the rise. End comment.) U.S. investment in Cambodia has increased from USD 333 million in 2004 to USD 830 million in 2005 to USD 4.341 billion in 2006. While U.S.-Cambodia trade remains solid, Sok Sopeak compared

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Cambodian export growth -- mostly exports of garments -- of 20 percent from 2005 to 2006 to a slowed 10 percent from 2006 to 2007. Cambodia worries about a continued slowdown due to the impending expiration of U.S. safeguards on Chinese textiles, and Vietnam's increasing competitiveness since becoming a WTO member last year.

¶12. (SBU) Sok Sopeak repeated past RGC requests that the U.S. decrease duties on Cambodian exports to the U.S. and specifically urged passage of pending legislation (New Partnership for Development Act in the House and the TRADE Act in the Senate) that would do so. Cambodian exports make up only 0.1 percent of total U.S. imports but duties levied total approximately USD 150 million to 180 million per year -- similar to what is paid by the French on a much larger volume of goods, Sok Sopeak said. In response to encouragement from Marciel to diversify its exports, Sok Sopeak stated that Cambodia is trying to find ways to diversify its industrial base beyond the garment sector. However, that will take time and for now garments remain critical for Cambodia's economy.

¶13. (SBU) Sok Sopeak continued with his message of trade cooperation hailing the U.S.-Cambodia Trade and Investment Framework Agreement (TIFA) signed in July 2006 as a milestone for Cambodia. Sok Sopeak noted Cambodia's accomplishments since the TIFA signing: passage and implementation of legislation required under Cambodia's WTO accession agreement; drafting of 12 laws and 10 regulations or subdecrees to liberalize and facilitate trade; training for trade and investment capacity building; and working to harmonize donor assistance via a mechanism called the Trade SWAp (Sector Wide Approach). Sok Sopeak encouraged USAID to support its efforts via the Trade SWAp and highlighted specifically the need to develop Cambodia's human resources. Sok Sopeak also highlighted continuing Cambodian engagement on the Doha round negotiations saying that Commerce Minister Cham Prasidh would lead a Cambodian delegation to next

month's WTO meeting in Lesotho and, at the encouragement of USTR, would urge LDCs to support efforts to break the deadlock currently stalling the round.

¶14. (SBU) Marciel congratulated Cambodia on its ambitious trade program stating that this is why Cambodia's economy has been growing. He restated U.S. delight with the proceedings at the two TIFA rounds in Cambodia last year, and expressed appreciation for the RGC's seriousness and openness on matters of trade and investment. He stated that Cambodia's economy may continue to build its own momentum, and that more exports to the U.S. may come with increasing growth. Marciel emphasized that U.S. companies will invest where environments are stable. Cambodia's progress in the areas of economic growth, elections, the KRT, and anti-corruption would add to positive perceptions of Cambodia and may eventually attract the interest of more investors.

Expectations for Future Oil and Gas Production

¶13. (SBU) Reiterating Marciel's bilateral dialogue opening statement, Cambodian National Petroleum Authority Director General Te Doung Dara stated his impression that the U.S. wants to see a successful and strong Cambodia, and that perhaps this is the right time for the U.S. to provide more assistance to Cambodia. On oil and gas, he stated that if everything is agreed upon regarding the fiscal terms of extracting oil and gas, petroleum revenues are expected to come online in 2010 or 2011. In the meantime, Cambodia needs to tackle legal, technical, financial and transparency issues. He acknowledged that the Extractive Industries Transparency Initiative is one tool in approaching the issue of resource and revenue management and that, to address the issue, Cambodia will choose the best mode for Cambodians. Cambodia is still working out the commercial terms of

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agreements with CNPA and Chevron through the Ministry of Economy and Finance. He reiterated RGC awareness that oil and gas commercial agreements require a "win-win" framework permitting both business viability and a "good government take". Te Doung Dara stated that some of the RGC targets for the oil and gas industry are: efficiency in oil and gas production; boosting economic growth; domestic energy security; and environmental protection. Investing in its people is a high Cambodian priority, he said, quipping that Cambodia wanted to turn the "black gold into the gold of human resource." Marciel praised Cambodia for giving thought to both the positives -- revenues -- that oil production will bring Cambodia and the negatives -- difficulties in managing the revenues. He restated that U.S. interest lies in ensuring that Cambodia gains resources from oil and uses it effectively to help the Cambodian people.

Economic Roundup

¶14. (SBU) Ministry of Economy and Finance Secretary General Hang Chuon Naron provided an update on Cambodia's economic position stating that the current figure of 9.6 percent for Cambodia's 2007 growth is expected to be revised upwards. Cambodia estimates the country's 2007 GDP at USD 8.4 billion and per capita GDP at USD 586. The RGC expects its per capita GDP to reach USD 1,000 by 2015, possibly higher depending on oil and gas revenues. Hang Chuon Naron quoted a recent World Bank statistic that Cambodia's poverty rate had decreased from 35 percent in 2004 to 31 percent in 2007. He stated that in 2007 several sectors of the economy experienced growth: agriculture by 4 percent, tourism by 10 percent, garments by 10 percent, the financial sector by 22 percent, and construction by 4 percent (but slowing). He stated that government revenue increased by 1.5 percent of the GDP due to implementing public financial management. The 2007 government budget increased by 3.1 percent of GDP, while the overall budget deficit decreased by 1.5 percent of GDP.

He quoted Prime Minister Hun Sen's recent remarks that the cash in the RGC coffers is 200 times larger in 2008 than it was prior to 2003 (both election years). Private sector credit increased by 51.6 percent to about USD 1 billion.

¶15. (SBU) Hang Chuon Naron stated that one of the RGC's economic objectives has been to stabilize its exchange rate at a time of increased investment and capital inflow. In 2007 the National Bank of Cambodia accumulated international reserves of about USD 600 million reaching a total of USD 1.8 billion, increased from USD 100 million in 1994 and USD 1 billion in 2006. Inflation was relatively low at 6 percent despite increases in fuel prices over the year. Hang Chuon Naron stated the country's economic health is partially a response to improved economic management due to a public finance management project piloted last year which will be implemented gradually. The RGC is also looking to computerize its budget by 2010. The RGC began tax reforms in 2007 that resulted in a widened tax base and increased tax receipts of 45 percent.

¶16. (SBU) On oil and gas revenues, Hang Chuon Naron stated that it would be problematic if the public sees an increase in Cambodia's revenues but expenditures do not solve equity issues. There was a need for improved social expenditures in rural and poor areas, on programs that address poverty problems, and investments in infrastructure. He stated that the National Assembly had recently adopted a Law on Customs and that the Customs Department is working on drafting implementing regulations for the law. He stated that the MOEF issued two of the implementing regulations in December, with the final regulations already submitted to the MOEF. The RGC has been working with the World Bank on customs automation and they are currently finalizing a system prototype that they plan to deploy in Sihanoukville as a pilot site starting April 1.

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Comment: Bilateral Dialogue Results

¶17. (SBU) Marciel initiated closing remarks for the bilateral dialogue stating that he is pleased that the U.S. and Cambodia are able to exchange views and find common ground that will contribute to closer ties between our countries and people. Cambodia has been an enthusiastic partner on most of the topics of discussion, and leaves the door open to explore more issues and areas of cooperation in the future. The bilateral dialogue was successful in engaging Cambodia on our most important bilateral issues.
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